

Message Text

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ACTION XMB-04

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 OPIC-03
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 7817

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E.O. 11652: N/A
TAGS: EFIN, EG
SUBJECT: EXIMBANK POSTURE

REF: (A) STATE 82096, (B) CAIRO 10271, (C) CAIRO 9004,
- (D) CAIRO 9000, (E) STATE 70331, (F) STATE 24112

1. AS NOTED REF (B) AND OTHER GENERAL FINANCIAL REPORTING ON EGYPTIAN ECONOMIC SCENE IN RECENT PAST, GOE CREDIT-WORTHINESS HAS IMPROVED CONSIDERABLY IN RECENT MONTHS. WHILE THERE ARE CERTAINLY STILL LONG TERM ECONOMIC ISSUES TO BE RESOLVED, EGYPTIAN ECONOMY, FOR FIRST TIME IN MANY YEARS, SHOWS SIGNS OF IMPROVEMENT, PARTICULARLY, IN PETROLEUM SECTOR AND ON SERVICES ACCOUNT (E.G., TOURISM, EXPATRIATE TRANSFERS, CANAL REVENUES). SINCE AUGUST 1977, EGYPT HAS BEEN OPERATING ON VIRTUALLY CASH BASIS AND PROMPTLY MEETING ITS OBLIGATIONS. EIGHT MAJOR U.S. BANKS HAVE SOME FORM OF PERMANENT REPRESENTATION IN CAIRO - FOUR AS JOINT VENTURE BANKS, THREE AS FOREIGN CURRENCY BRANCHES, ONE AS AN OFFSHORE OFFICE.

2. EGYPTIAN TRADE HAS SHIFTED DRAMATICALLY IN LAST FEW YEARS TO EUROPE AND U.S. AS MAJOR SUPPLIERS OF PRINCIPAL
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IMPORTED COMMODITIES. MANY S. SALES ARE RESULT OF AID COMMODITY IMPORT PROGRAM, BUT PAST AND PROSPECTIVE SALES OF CAPITAL EQUIPMENT VIRTUALLY GUARANTEE GROWING FUTURE BUSINESS FOR U.S., PARTICULARLY AS AID-FINANCED CAPITAL PROJECTS GET UNDERWAY. INCREASING U.S. FINANCIAL AND BUSINESS INTERESTS IN EGYPT WARRANT, IN EMBASSY VIEW, A CLOSER LOOK BY EXIMBANK, ESPECIALLY AS EUROPEAN

INTEREST PICKS UP (SEE REF B) IN ORDER TO HELP
KEEP U.S. SUPPLIERS COMPETITIVE. ALONG THESE LINES, WE
BELIEVE CFF LINE TO DIB AS PROPOSED BY USAID CAIRO
MIGHT WELL BE APPROPRIATE ACTIVITY TO TEST MARKET
WITHOUT DEMANDING MAJOR COMMITMENT OR EXPOSURE ON PART
OF EXIM.

3. IN LINE WITH THIS AND CURRENT USG INTERESTS, WE
WOULD APPRECIATE VIEWS OF BANK ON MEDIUM TERM
POTENTIAL FOR OTHER EXIM ACTIVITIES IN EGYPT.

4. AS INDICATED, REF D, EMBASSY WOULD NOT PROPOSE
INITIATION ANY EXTENSIVE PUBLICITY AS PROPOSED REF E
UNTIL WE HAVE CLEAR IDEA OF WHAT EXIM WOULD BE LIKELY
* TO DO IN EGYPT IN NEAR FUTURE, ASSUMING ECONOMIC
SITUATION CONTINUES RELATIVELY SATISFACTORY.

5. NOTE: WE SEE NO REASON WHY HUMAN RIGHTS
CONSIDERATIONS WOULD BE APPLICABLE IN NEGATIVE SENSE
IN EGYPT (SEE REF F). ELTS

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